



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

FILED

10-18-06
03:12 PM

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive
Framework and to Examine the Integration of
Greenhouse Gas Emissions Standards into
Procurement Policies.

R.06-04-009

**COMMENTS OF
SIERRA PACIFIC POWER COMPANY (U 903 E)**

October 18, 2006

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I. INTRODUCTION

Pursuant to the September 25, 2006 letter from California Public Utilities Commission ("CPUC" or "Commission") President Peevey and the October 5, 2006 *Assigned Commissioner's Ruling: Phase 1 Amended Scoping Memo and Request for Comments on Final Staff Recommendations* ("ACR"), Sierra Pacific Power Company ("Sierra") hereby provides these comments to the *Final Workshop Report: Interim Emissions Performance Standard Program Framework* ("Report") and its reflection of statutory authorities adopted with the codification of SB 1368.¹ In the comments below, Sierra focuses on the alternative compliance language found in Cal. Pub. Util. Code § 8341(d)(9) and the treatment of multi-jurisdictional utilities ("MJUs") in the Report.

A. Background on Sierra's California Operations.

Sierra Pacific Power Company is a Nevada corporation providing electric utility services in three jurisdictions: Nevada, California, and FERC. Sierra also provides gas utility services to the Reno and Sparks, Nevada area. Sierra operates a single electrical system with a combined count of over 400,000 customers in both states, but with approximately 45,000 customers in the

¹ Chapter 598, Statutes of 2006. SB 1368 added Cal. Pub. Util. Code §§ 8340 *et seq.* (*Greenhouse Gas Emissions Performance Standard for Baseload Electrical Generating Resources*) to the California code.

Lake Tahoe area of California. The vast majority of Sierra's service territory and retail customers are located in Nevada. Sierra's peak load is under 1,800 MWs overall and over half of its energy requirements are provided through purchased power. Sierra operates its own control area consistent with Western Energy Coordinating Council ("WECC") and National Energy Reliability Council ("NERC") protocols, and its operations are outside of the control area of the California Independent System Operator. Recognizing these facts, the CPUC relieved Sierra from the AB 57 procurement planning compliance burdens consistent with the exemption set forth in Cal. Pub. Util. Code § 454.5(i).² Because of certain geographic and reliability challenges associated with the higher elevations and certain remote mountain conditions of its California operations, and the multi-state nature of its service territory, the Commission has traditionally deferred to the Public Utilities Commission of Nevada ("PUCN") Integrated Resource Plan (IRP) process for a number of utility functions, as noted in D.04-02-044. Sierra's current ECAC mechanism, re-established on January 16, 2004, requires that each application include a section discussing the PUCN IRP activity as it relates to the transactions and costs included in the ECAC filing. In CPUC Decisions covering Sierra's recent General Rate Case (D.06-08-024) and ECAC (D.06-10-016), the Commission found no exceptions related to IRP transactions.

B. Sierra Supports the Report's Approach for MJUs

The Staff's Final Recommendation 3)(d), Final Workshop Report page 43, calls for the development of a process for MJUs that is compliant with Section 8341(d)(9). Sierra supports this recommendation and stands ready to work with Commission staff in the development of such an approach. For example, consistent with the alternative compliance approach allowed by

² See D.04-02-044 (February 2004).

SB 1368, an MJU should be permitted to present its alternative compliance proposal via advice letter or expedited application.

C. Alternative Compliance Approach Under § 8341(d)(9)

In light of its limited California operations, its multi-state jurisdictional status, and its status as its own control area operator, Sierra will seek the § 8341(d)(9) exemption route provided under SB 1368. Sierra meets the statutory elements of § 8341(d)(9) because it provides electrical service to less than 75,000 customers in California, a majority of its retail customers are outside of California, and because its emissions of greenhouse gases from electricity generation are subject to review by the PUCN. Under Nevada law, Sierra is required to file an IRP every three years, with annual energy supply plans submitted for approval between cycles.³ Sierra filed its last triennial IRP in 2004, as well as a number of amendments to that plan, and is currently in the process of developing a new resource plan submittal that is expected to be presented to the PUCN by July 1, 2007.

The Final Staff Recommendation at page 53 of the Final Workshop Report interprets the § 8341(d)(9)(B) provision such that any one of three approaches could satisfy the statutory element:

We interpret step B's "subject to review" test to be satisfied when 1) a state jurisdiction requires a utility to review and report on the potential impacts of different carbon policies within its IRP process; 2) when it requires the utility to disclose its greenhouse gas emissions or expected change in overall emissions as a result of changes to its portfolio, including new capacity additions; or 3) when another jurisdiction adopts rules specifically regulating

³ § 704.742 of the Nevada Revised Statutes, and §§ 704.9208 and 704.9508 of the Nevada Administrative Code ("NAC"); see <http://www.leg.state.nv.us/nrs/NRS-704.html> and <http://www.leg.state.nv.us/NAC/NAC-704.html>.

emissions of greenhouse gases from electricity generating facilities.

Setting aside the question of whether the Staff's interpretation is the proper interpretation of the statute, Sierra believes its upcoming 2007 PUCN IRP filing will meet two of the three approaches recommended in the Staff interpretation of § 8341(d)(9). First, under the Nevada resource planning process, Sierra is required to review and quantify environmental costs from air emissions per NAC § 704.9359. Pursuant to NAC § 704.9361, any party to the IRP process may submit information purporting to establish a need to modify or eliminate air emission rates, and the PUCN may consider that party's request for the deletion or addition of any environmental factor or the revision of any authorized emission rate or environmental costs at the time of an IRP hearing based on new scientific, engineering, economic or other technical information. Also, Sierra is required to consider the impact of applicable future technologies and governmental programs or regulation per NAC §704.925(4). Second, per NAC §704.2783 and §704.2785, Sierra must disclose to its customers twice each year the average emissions of carbon dioxide as measured in lbs/MWh (the major GHG related to electric generation activities) produced by internal generation and purchased power as required by the regulation. Accordingly, Sierra believes that it currently fits squarely within the alternative compliance approach contemplated in SB 1368 and will continue to do so when it files its next IRP at the PUCN.

II. CONCLUSION

Sierra applauds the Staff's efforts to update the draft workshop report in a way that acknowledges the alternative compliance mechanism provided in SB 1368. Process wise, Sierra suggests that it be permitted to make its § 8341(d)(9) submission to the Commission by an advice letter or expedited application. Given its predominate operations in Nevada and the

review of Sierra's integrated resource planning process that occurs in that jurisdiction, Sierra is eligible for the alternative compliance mechanism.

October 18, 2006

Respectfully submitted,

By _____/s/_____

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Certificate of Service

I hereby certify that I have this day served a copy of “Comments of Sierra Pacific Power Company” on all known parties to R.06-04-009 by transmitting an e-mail message with the document attached to each party named in the official service list. Parties without e-mail addresses were mailed a properly addressed copy by first-class mail with postage prepaid.

Executed on October 18, 2006 at Sacramento, California

_____/s/_____

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